

ANALYSIS

The Failure of Asian Success

Asians as Corporate Executive Leaders

By Buck Gee and Wes Hom

A Story of Limits

Whether American-born or foreign-born, Asian Americans have enjoyed a much-envied reputation for achievement in education and technology. However, the modern tale of Asian [1] success in American society obscures the fact that Asians have found it difficult to reach the highest levels of leadership in government, education, and business. For large companies in the Bay Area, this can become a business-impacting issue in the next 5 years as Asians continue to be the fastest growing segment of the Bay Area workforce, especially as technology and knowledge workers. This paper will provide a quantitative review of the slow progress made by the Asian executives in the largest Bay Area corporations and begin a qualitative discussion on underlying factors behind this phenomenon.

A Story of Success

Statistics abound to document the impact of Asians in America. In the past three decades, the Asian American population has simply exploded – from 1.5 Million in 1970 to over 13 Million by 2004. The Asian American median 2004 household income of \$56K is well above than the U.S. median of \$44K [2]. 44% of Asian Americans hold college degrees vs. 24% for the general population [3]. In the Bay Area, people see visible evidence of Asian overachievement success simply by wandering around any local college campus such as UC/Berkeley, where Asian Americans were 41% of Cal's 2003 undergraduate population.

We celebrate the technology-fueled growth and success of Bay Area companies and, often, of Asian business leaders. And balanced against the national picture, Bay Area companies have a very positive story to tell about Asian

presence in the highest executive levels. For instance, 13 of the 100 largest companies in the Bay Area have an Asian CEO [4] in 2008, significantly higher than the national Asian



population of 5%. Asians comprised 5% of the board for the 25 largest Bay Area companies in 2008 [5], also much improved over the 1% of all Fortune 500 corporate board seats [6].

But such a positive interpretation is wrong.

A Story of Failure

In 2008, a Bay Area Fortune 500 company used a well-known consulting organization to conduct a study of its U.S. pool of Asian employees. Among other results, the consultants concluded that the company was doing a satisfactory job at recruiting and developing management talent, based upon their observation that the proportion of Asian employees and managers were higher than those at similar companies they had benchmarked nationally and much higher than the 5% Asian percentage of the overall U.S. population.

But these consultants failed to recognize that Bay Area demographics are unique and were blinded by their preconceptions of Asian success.



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They did not break down Asian participation through the management grade levels. More importantly, their analysis failed to grasp that “Asian” as a demographic category does not work as a useful operational model for assessing corporate managerial development. Quite simply, they “just didn’t get it”.

To begin with the obvious, the Bay Area has the highest percentage of Asian population of any metropolitan area in the continental U.S. A more thoughtful analysis of employment and management talent for Bay Area companies must consider the fact that Asians represent 23% of the overall Bay Area population and over 30% in San Francisco and Silicon Valley. Furthermore, it is not unusual to find Asians to be more than 40% of the employee base of a Silicon Valley company.

For instance, another examination of the 13 Asian CEOs cited as a Bay Area success story above yields an altogether different conclusion. Yes, there were 13 Asian CEOs among the largest 100 Bay Area companies, but a closer look finds that six were CEO/ founders and one was a Japanese CEO of a bank owned by the Bank of Tokyo. Given that Asians are 23% of the Bay Area employee pool, the remaining figure of 6% as an Asian CEO population and 5% board

population means that Asian executive success is the exception and not the rule.

Looking even closer and identifying the six remaining Asian CEOs as either “South Asian” or “Pacific Rim Asian”, we find another insight. All six were located in Silicon Valley, with three CEOs being South Asian, and other three Pacific Rim Asian. Because the overall Silicon Valley population is 5% South Asian and 25% Pacific Rim Asian, it appears that both South Asians and Pacific Rim Asians are not being successful in attaining CEO positions, but that Pacific Rim Asians are even more unsuccessful.

A Constricted Executive Pipeline

This phenomenon is not new.

In one 1993 study of Asian attitudes in Silicon Valley, 80% of those surveyed thought that Asians were underrepresented in the upper management [7]. Another author recounts an even earlier incident at an aerospace company [8]:

“Complaints about the glass ceiling formally surfaced in the 1970s... According to one person, studies of their managerial representation were initiated at the request of the center director, whose explicit aim was to show that Asian professionals at the center were a

“model” for other minorities, who were more vocal ... [but] the statistical findings proved surprising. Instead of being a model minority, Asian American employees were one grade lower than expected, and the critical comparison group was not the other minorities, but white males.”

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A recent research report from the Corporate Executive Initiative, “A Bay Area Corporate Census: Asian American Executives”, shows that the Asian population continues to be statistically underrepresented through the highest Bay Area executive levels and especially in Silicon Valley [5]. Data from that report is summarized in Table 1 and shows that only 5% of Bay Area board members are Asians, although Asians represent 21% of the local population. The table highlights the fallout at each level of the executive pipeline and illustrates the constricted flow of Asian executives into the highest levels. It is also noteworthy that this data shows that Pacific Rim Asians are not as successful as South Asians in reaching vice presidential levels commensurate to their overall numbers.

All Asians	South Asian	PacRim
Asian		
Bay Area Board 5.3%	1.5%	3.8%
Bay Area Corp Officers 9.3%	3 US-based Bay Area VPs 16.6%	8.2%
8.4%		
Bay Area Population 21.1%	2.4%	18.7

Table 1: Bay Area - Asian Executive Pipeline

Table 2 is included to examine the situation in hightech Bay Area companies only. What is surprising in this table is that there is little difference at the highest levels between the Table 2 pipeline in high-tech companies (e.g. HP) and Table 1 pipeline for all. This outcome is notable since the Asian population is much higher in Silicon Valley, with Asian contributions in engineering and technology more visible.

All Asians	South Asian	PacRim
Asian		
High-tech Board 6.4%	1.2%	5.2%
High-tech Corp Off 9.7%	4.3%	5.4%
US-based High-tech VPs 14.4%	8.9%	5.5%
Silicon Valley Population 30.2%	5.3%	24.8%

Table 2: High-Tech - Asian Executive Pipeline

Additional research from the CEI report indicates that South Asians appear to be successfully reaching the vice president levels and are, in the past decade, beginning to make progress into the higher executive ranks. These gains at the executive level should be expected because the South Asian population in the U.S., especially in Silicon Valley, has experienced explosive growth. Table 2 demonstrates, however, that South Asians have not made similar gains as corporate officers and board members. In fact, since 1999, South Asian Bay Area board membership has only grown from 0.9% to 1.6% and South Asian corporate officers have grown from 0.7% to 2.9%.

The Asian Executive Failure: Discussion

The available data show that there is a material fallout of Asian employees in Bay Area corporations through a tightly constricted management pipeline. However, it is not clear how to prove root cause and identify corrective actions. Each company characterizes its own set of leadership skills for a profile for a successful executive; and their executives, whether Asian or not, must individually decide if that skill set can be developed within the content of their character.

Nevertheless, this paper will present several factors as a starting point for discussion. All of these are based upon on qualitative observations and frank conversations that we have had with different Asian and non-Asian executives in the Bay Area and New York in the past 24 months. None of these factors are new



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thoughts, and there is much literature on this topic.

Perception of the Asian Constituency

Common misperception by corporate management that there is no Asian problem: There is a huge perception gap about career advancement between corporate management and ambitious Asians at the executive and pre-executive grades. The reaction of virtually all non-Asian executives engaged in this discussion has been “Gee, I didn’t know, and what should we do about it?” whereas the Asian reaction has been “I know that I am one of the few Asian execs here, but I am too busy to try to change the system.” Because there appears to be a profusion of successful mid-level Asian managers in the professional workplace in these companies, the dearth of Asian executives is really a problem hidden in plain view.

Numerous conversations with mid-level Asian managers in many companies have led us to conclude that the Asian employee population generally recognizes this as a common problem, and is unhappy with the fact that there is little or no progress. But it is no surprise that there has been little change in the number of Asian corporate officers and board members in the past

10 years because no one is making corporate leaders aware of their employee’s frustration.

Limited/Indifferent Asian Executive Leadership

Generally, the Asian executive community has shown little leadership to address an issue that is acknowledged as real, but is judged not important enough to fix. One factor of this diffidence is the view that Asian advocacy work would be seen to suggest that racial diversity is more important than results, merit and excellence – a concept that is heretical to traditional Asian culture and disdained by an executive who strongly believes that merit is rewarded. This view also reflects the misunderstanding of the value and priorities of corporate diversity.

Another factor is the real fear that an Asian executive raising these questions would be negatively perceived as an internal malcontent. Finally, it is always difficult for an any executive to make time for such leadership because hours spent on these sorts of issues are usually irrelevant to his/her business assignment, typically unrecognized by corporate management, and unrewarded by the compensation system.



A successful manager at all levels needs to understand how the large organization makes decisions, who makes those decisions, and what is needed to make those decisions across the company.

A Cultural Divide - Passive Deference to Hierarchical Authority

Cultural deference creates a number of career-limiting obstacles for Asian executives when they interact with their managers, peers, and direct reports. Managers view a pattern of deference in 1-1 discussions or project team interactions as failure of confidence or lack of knowledge. More assertive peers can press arguments to create perceived authority and intimidate their Asian counterparts. Asian managers who try to use a hierarchical management approach will find it challenging to deal with subordinates who do not defer to their direct positional authority.

Even for many senior executives who “have made it”, the same issues exist. Although they reached the executive level, many Asians are reluctant to speak up, stand out and make waves among their peers and managers, limiting their own upward opportunities as corporate officers.

A Communications Imperative:

The lack of good English language speaking skills creates multiple problems for any manager in a U.S. company. First, it diminishes the real effectiveness of a person with poor English skills in meetings, where most of the

management work is done. Over time, a small group can get used to dealing with someone with poor language skills. However, as a manager moves up in the organization, he/she interacts with more people but less frequently, so this impacts performance. Additionally, people with strong accents know that they have this problem and are more apt to be silent in larger meetings.

Political Awareness

Political/organizational awareness requires corporate networking and socialization skills. Asians do not invest much effort into peer networking activities. We do not see the lack of a good internal network as a strict impediment to leadership development, but, rather, see strong personal networks as a resource that a manager uses to increase organizational effectiveness in a complex corporate environment. A successful manager at all levels needs to understand how the large organization makes decisions, who makes those decisions, and what is needed to make those decisions across the company. This is a special problem for Asian managers working for U.S. companies located in Asia, as they lack day-today visibility to the political dynamics.

Taking Risks— Aversion to high-profile risk-taking

Two years ago, one of us led a discussion with a room of Asian engineering directors and offered that opportunities for rapid advancement happen when people are given leadership roles in critical business projects involving complex problems and uncertain outcomes. What struck us in that session was an unstated assumption that someone else would be leading that project and their opportunity was to join the team to share in the success. No question was asked about how to get into the leadership role. There was even some ambivalence about even joining such a project.

Closing Thoughts

There is a tightly constricted executive pipeline for Asian employees in the Bay Area - a reality widely known by the Asian workforce, but hidden in plain sight to corporate management. This perception gap is the heart of a problem that has persisted for decades, and indicates a failure of leadership within the Bay Area executive community, especially within the Asian executive community.

Asians are already a highly visible portion of most Bay Area companies and continue to be the fastest growing ethnic talent pool. It will be increasingly harder to deny the executive pipeline problem, especially in the face of new research data and increasing visibility within the Asian community. Growing businesses must recognize that it is in their best business interests to develop and retain their high potential Asian talent. The number of Asians who manage to reach the highest levels is as much dependent, however, upon their readiness to embrace and extend the U.S. corporate leadership model.

The inexorable rise of India and China is forcing the largest companies to rethink the role of their Asian operations and transforming their Asian outposts into strategic parts of their corporate decision making. For example, in 2006 IBM moved its Chief Procurement Officer and CPO operations from its New York headquarters to Shenzhen, China. That same year, Cisco relocated its Chief Globalization Officer and a portion of the corporate staff from San Jose to a

new dual corporate headquarters in Bangalore, India.

Such moves create opportunities for global companies to finally attract and retain the very best Asian executives who aspire to high corporate roles. However, it also means that Asian executives in Asia will interact with the U.S. corporate organization as they deal with global strategy; and they will run into the same cultural obstacles that their counterparts already see in the U.S. In effect, the Asian pipeline problem is a serious challenge for any U.S. company that wants to position itself as a global company run by a global management team, including their best Asian employees, both in Asia and the U.S.

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Notes and data sources

[1] Terminology describing Asian ethnic groups are (using U.S. Census groupings):

(a) "Asians" include people of Asian descent, both American-born and foreign born, and includes people of more than one race; the terms "Asian" and "Asian American" is used as interchangeable terms in this report unless otherwise noted.

(b) "South Asian" includes Asians from India, Pakistan, and Bangladesh; and

(c) "Pacific Rim Asian" includes Chinese, Filipino, Japanese, Korean, Vietnamese, and "Other".

[2] U.S. Census "American Community: Asians 2004" <http://www.census.gov/prod/2007pubs/acs-05.pdf>

- [3] U.S. Census “We the people: Asians in the U.S.”
<http://www.census.gov/prod/2004pubs/censr-17.pdf>
- [4] “The Chronicle 200: The Bay Area’s Largest Publicly Traded Companies” <http://www.sfgate.com/cgi-bin/topco/chart/rank?year=2008>
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- [6] “2007 Corporate Board Report Card: A Report on Directors of Asian Ethnicity on Fortune 500 Boards”, May 15, 2007. A Project of the Corporate Board Initiative of The Committee of 100, Inc.
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- [8] “Toward an Inclusive Framework for Envisioning Race, Gender, and Leadership”, Patricia S. Parker, Gender, Race, and Ethnicity in the Workplace, Margaret Foegen Karsten, 2006.